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Family Investment
Department of Human Resources

Operating Budget Data

($ in Thousands)

	FY 12 Actual	FY 13 Working	FY 14 Allowance	FY 13-14 Change	% Change Prior Year
General Fund	$136,818	$138,074	$135,104	-$2,970	-2.2%
Contingent & Back of Bill Reductions	0	0	-89	-89	
Adjusted General Fund	**$136,818**	**$138,074**	**$135,015**	**-$3,059**	**-2.2%**
Special Fund	29,539	22,300	21,427	-872	-3.9%
Contingent & Back of Bill Reductions	0	0	-6	-6	
Adjusted Special Fund	**$29,539**	**$22,300**	**$21,421**	**-$878**	**-3.9%**
Federal Fund	1,349,162	1,298,021	1,363,462	65,441	5.0%
Contingent & Back of Bill Reductions	0	0	-152	-152	
Adjusted Federal Fund	**$1,349,162**	**$1,298,021**	**$1,363,310**	**$65,288**	**5.0%**
Adjusted Grand Total	**$1,515,518**	**$1,458,395**	**$1,519,746**	**$61,351**	**4.2%**

- A fiscal 2013 deficiency appropriation adjusts the funding split for Temporary Cash Assistance (TCA) benefits by decreasing Temporary Assistance for Needy Families (TANF) funds by $24.5 million and increasing general fund support by $19.3 million. By this appropriation, the TANF shortfall that has necessitated borrowing against the next year's federal TANF block grant is eliminated.

- The fiscal 2014 allowance increases $61.4 million over the current year working appropriation. The majority of the increase represents additional federal funding for the Supplemental Nutrition Assistance Program (SNAP), which is budgeted at the fiscal 2012 actual level.

Note: Numbers may not sum to total due to rounding.

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Personnel Data

	FY 12 Actual	FY 13 Working	FY 14 Allowance	FY 13-14 Change
Regular Positions	2,039.42	2,037.42	2,037.42	0.00
Contractual FTEs	53.44	68.00	68.00	0.00
Total Personnel	**2,092.86**	**2,105.42**	**2,105.42**	**0.00**

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	85.57	4.20%
Positions and Percentage Vacant as of 12/31/12	136.50	6.70%

- The number of both regular positions and contractual full-time equivalents remains unchanged between the current year and the allowance.

- The turnover rate in the fiscal 2014 allowance is 4.2%, which would require that the equivalent of 86 positions be kept vacant the entire year. As of December 31, 2012, the Department of Human Resources (DHR) – Family Investment had 137 positions vacant, which means there is sufficient funding in the allowance to fill an additional 50 positions.

Analysis in Brief

Major Trends

Job Placement and Retention: Job placements increased as a percent of cases in fiscal 2012 even as the number of cases increased. Over time, job retention has fluctuated around the 75% level.

Employment and Earnings: Employment rates for individuals in the eight quarters following exit from the TCA program were significantly lower for those exiting during or after the recession than for pre-recession leavers, which illustrates the weak recovery with respect to employment. The level of earnings for those exiting TCA to employment is slightly more positive.

Issues

Maryland Incurs Small Penalty for High Fiscal 2011 SNAP Error Rate – DHR Anticipates Bonus for Most Improved Status for Fiscal 2012: After three years of incurring federal penalties for a SNAP error rate that exceeded 105% of the national average, DHR expects Maryland to receive a bonus for being the most improved state.

DHR Faces Lawsuit on Timely Determination of Disability-related Medicaid Applications: In January 2013 a lawsuit was filed against DHR in the Baltimore Circuit Court for allegedly improperly requiring applicants to apply for certain Social Security benefits as a condition of eligibility for benefits under Medical Assistance for the aged, blind, and disabled (MA-ABD) and for failing to provide decisions on applications for MA-ABD within the timeframe required by law. DHR has stated that it must always review its work processes for ways to improve its ability to determine eligibility for all benefit programs but disagrees with the assertions made in the lawsuit.

Current Data Collection Methods Do Not Allow for a Comprehensive Analysis of Substance Abuse Treatment Outcomes for the TCA Population: Because substance abuse (SA) treatment outcome data is coded by referral source, it does not allow identification of the entire TCA population receiving SA treatment services – TCA clients already in treatment at the time of TCA application are coded under non-TCA referral categories. This denies DHR the ability to comprehensively evaluate the adequacy and effectiveness of SA treatment services as it attempts to remove SA barriers to employment for its clients. **It is recommended that DHR and the Alcohol and Drug Abuse Administration evaluate the changes that would need to be made in data collection methodologies in order to be able to report on SA outcomes for the entire TCA population.**

Recommended Actions

1. Add a section requiring the Department of Human Resources and the Alcohol and Drug Abuse Administration to evaluate changes to data collection that would be needed to report substance abuse treatment outcomes for the Temporary Cash Assistance population as a whole.

Updates

After Two Years of Meeting or Exceeding Federal Performance Standards for Timely Benefit Determinations, Court Order Lifted: After two years of meeting or exceeding the requirement that at least 96% of certain benefit applications be determined within 30 days, the court order requiring DHR to be in compliance is lifted.

DHR Reports on Efforts to Secure Federal Funding for a Couples Advancing Together Pilot Program: Committee narrative adopted during the 2012 session requested that DHR report by November 1, 2012, on efforts to secure dedicated federal funding for a Couples Advancing Together pilot program. DHR reported that while no dedicated funding has been secured, it is providing $1.1 million in fiscal 2013 for responsible fatherhood programs which share many goals with the Couples Advancing Together concept.

Operating Budget Analysis

Program Description

The Department of Human Resources' (DHR) Family Investment Administration (FIA), along with local Family Investment programs, administers cash benefits and other grant programs that provide assistance to individuals and families in financial need, as well as employment programs to promote self-sufficiency. Programs administered include:

- **Temporary Cash Assistance (TCA) –** the State's largest cash assistance program, provides financial assistance to dependent children and other family members deprived of support due to the death, incapacitation, underemployment, or unemployment of one or both parents. Federal welfare reform legislation enacted in August 1996 eliminated an individual entitlement to cash assistance and replaced it with a Temporary Assistance for Needy Families (TANF) block grant. States receive their share of the block grant as long as they comply with a maintenance of effort requirement of 80% (75% if a state is successful in meeting the federal work participation rate) of the amount the State spent under the former Aid to Families with Dependent Children program. Under the legislation, states determine the eligibility criteria for TCA. The federal legislation also requires welfare recipients to work in order to receive assistance for more than two years and establishes a five-year time limit on the receipt of benefits with a hardship exemption for as much as 20% of the State's caseload.

- **Family Investment Program (FIP) –** the State's program for serving welfare recipients, encompasses the provision of TCA and efforts to divert potential applicants through employment, move recipients to work, and provide retention services to enhance skills and prevent recidivism. The goal of FIP is to assist TCA applicants/recipients in becoming self-sufficient. After assessing each family's specific needs and resources, staff focuses on the services required to move clients into work. TCA is provided only as a last resort. Applicants for cash assistance are required to cooperate with child support enforcement staff as a condition of eligibility and must undertake job search activities if asked. Recipients are sanctioned if they fail to comply with any work or training requirements. Screening of TCA recipients for substance abuse is mandatory, with participation in treatment required of individuals offered appropriate treatment.

- **Temporary Disability Assistance Program (TDAP) –** the State's program for disabled adults, provides a limited monthly cash benefit. The State is responsible for clients with a short-term disability (at least 3 months but less than 12 months). If the disability will last longer, the client may be eligible for federal disability payments through Supplemental Security Income (SSI). If so, they are required to pursue an SSI application and may receive help doing so. Those clients receive State cash assistance until their SSI applications are approved. The federal government reimburses the State for cash assistance paid during the processing of approved SSI applications.

- **The Burial Assistance Program** – subsidizes funeral expenses of public assistance recipients, children receiving foster care, and Medical Assistance recipients. The program is funded by the State and local governments.

- **The Supplemental Nutrition Assistance Program (SNAP) –** provides benefits solely for the purchase of food items to individuals and families who meet income and resource requirements. Benefit costs are 100% federally funded, while the administrative costs are split evenly between the State and federal government. Maryland provided State-funded food assistance to legal immigrant children until October 1, 2003, when the Farm Security and Rural Investment Act of 2002 (commonly known as the Farm Bill) authorized federal food benefits for qualified immigrant children.

- **Emergency Assistance to Families Program –** provides financial assistance to resolve an emergency situation as defined by the local department.

- **Public Assistance to Adults (PAA) –** provides payments to indigent clients residing in licensed domiciliary care homes and to Project Home clients. Recipients include mentally and physically disabled adults and individuals with Acquired Immune Deficiency Syndrome who remain in their homes.

- **Welfare Avoidance Grants** – allows a local department to divert customers from cash assistance when a one-time payment resolves a specific problem and allows the customer to become or remain independent.

The local Departments of Social Services (DSS) are responsible for making eligibility determinations and redeterminations for the aforementioned programs, the State's subsidized child care program, which is administered by the Maryland State Department of Education, and the Medical Assistance program which is administered by the Department of Health and Mental Hygiene (DHMH). Local departments have the flexibility to create their own tailor-made welfare program and determine what training and job search activities will be required of applicants. In addition, the local departments are responsible for networking with employers and determining the most appropriate use for job training funds.

Key goals for DHR – Family Investment include:

- moving families with an employable parent and no children under the age of one toward a speedy and lasting exit from TCA;

- assuring individuals and families receive appropriate benefits;

- placing TCA individuals in employment where earnings increase over time;
- increasing the number of TCA families where an adult family member obtains and retains employment; and
- placing Maryland Reaching Independence and Stability through Employment participants into self-sustaining career jobs.

Maryland Office for Refugees and Asylees

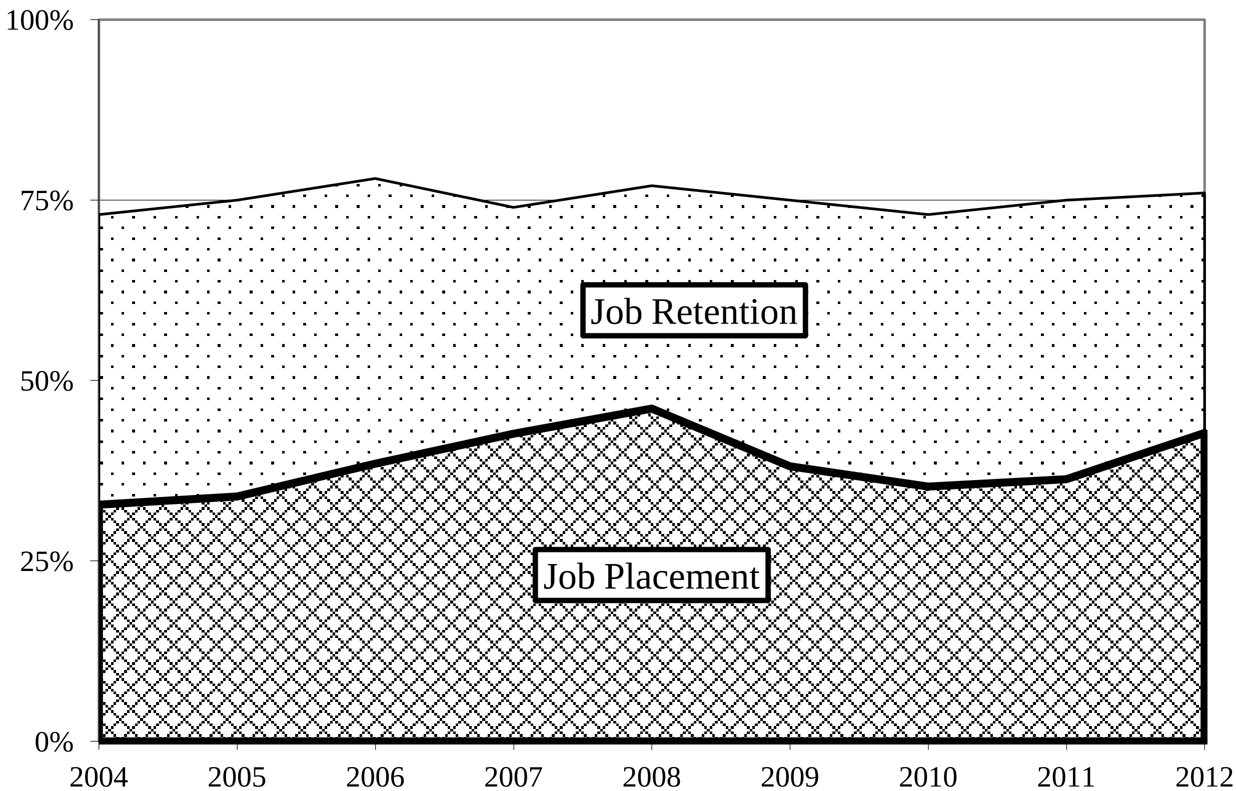
FIA also includes the Maryland Office for Refugees and Asylees (MORA). MORA oversees a federally funded refugee settlement program that provides various services to refugees and asylees residing in Maryland. The key goals of MORA are to assist refugees and asylees to attain early economic independence and social adjustment.

Performance Analysis: Managing for Results

1. Job Placement and Retention

The hope of welfare reform is not only that welfare caseloads will decline but also that parents will get jobs and keep them, eliminating their families' need for cash assistance. **Exhibit 1** illustrates DHR's performance in this regard, showing the job placement and job retention rates. Job placements increased as a percent of cases in fiscal 2012 even as the number of cases increased. Over time, job retention has fluctuated around the 75% level, which is the goal for this indicator.

Exhibit 1
Job Placement and Job Retention
Fiscal 2004-2012



Note: Job placement measures the total number of placements as a percent of the total number of Temporary Cash Assistance (TCA) cases. Job retention measures the percent of individuals who obtained employment in one calendar quarter and remain employed in the following quarter.

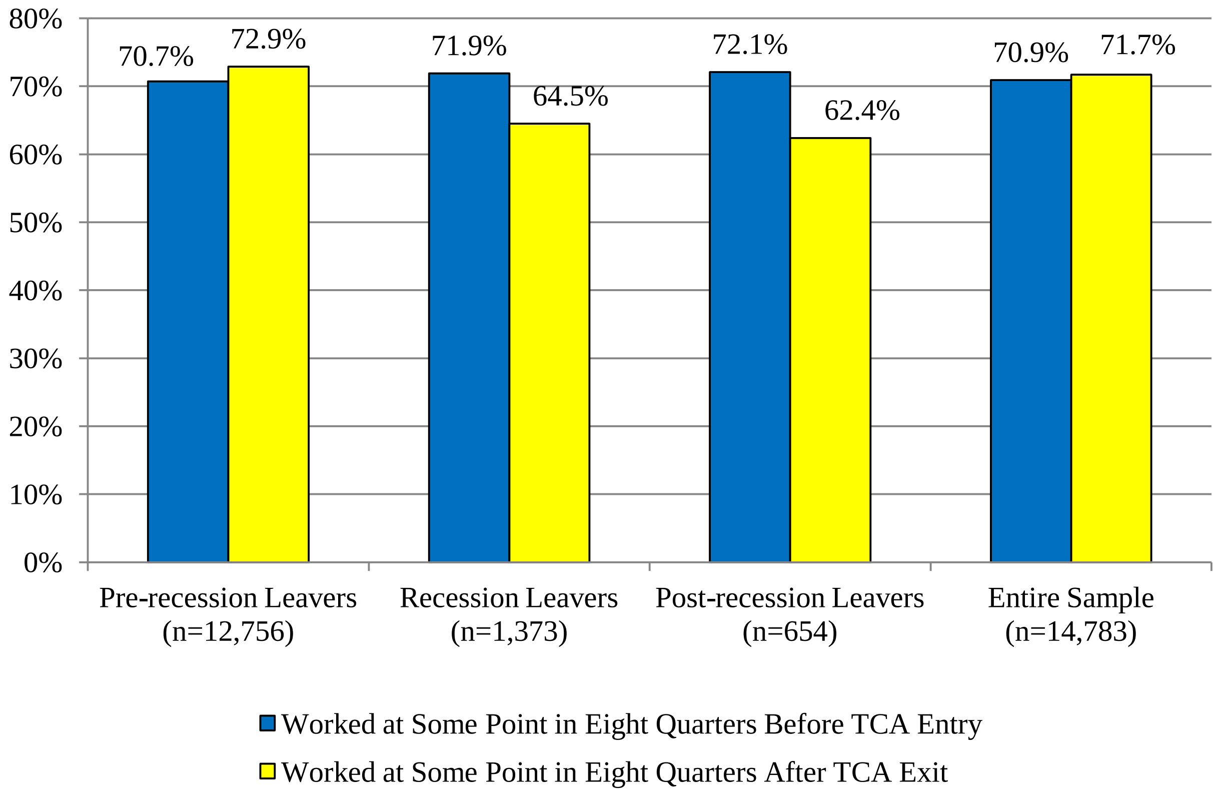
Source: Department of Human Resources; Department of Legislative Services

2. Employment and Earnings

Exhibit 2 shows the rates of employment for individuals in the eight quarters prior to receiving TCA benefits and in the eight quarters following the end of receiving TCA benefits. It graphs the rates for the pre-recession cohorts (those who exited between October 1996 and December 2007) and for the post-recession cohorts (those who exited between July 2009 and March 2012).

Exhibit 2

Employment Prior To and After Leaving TCA



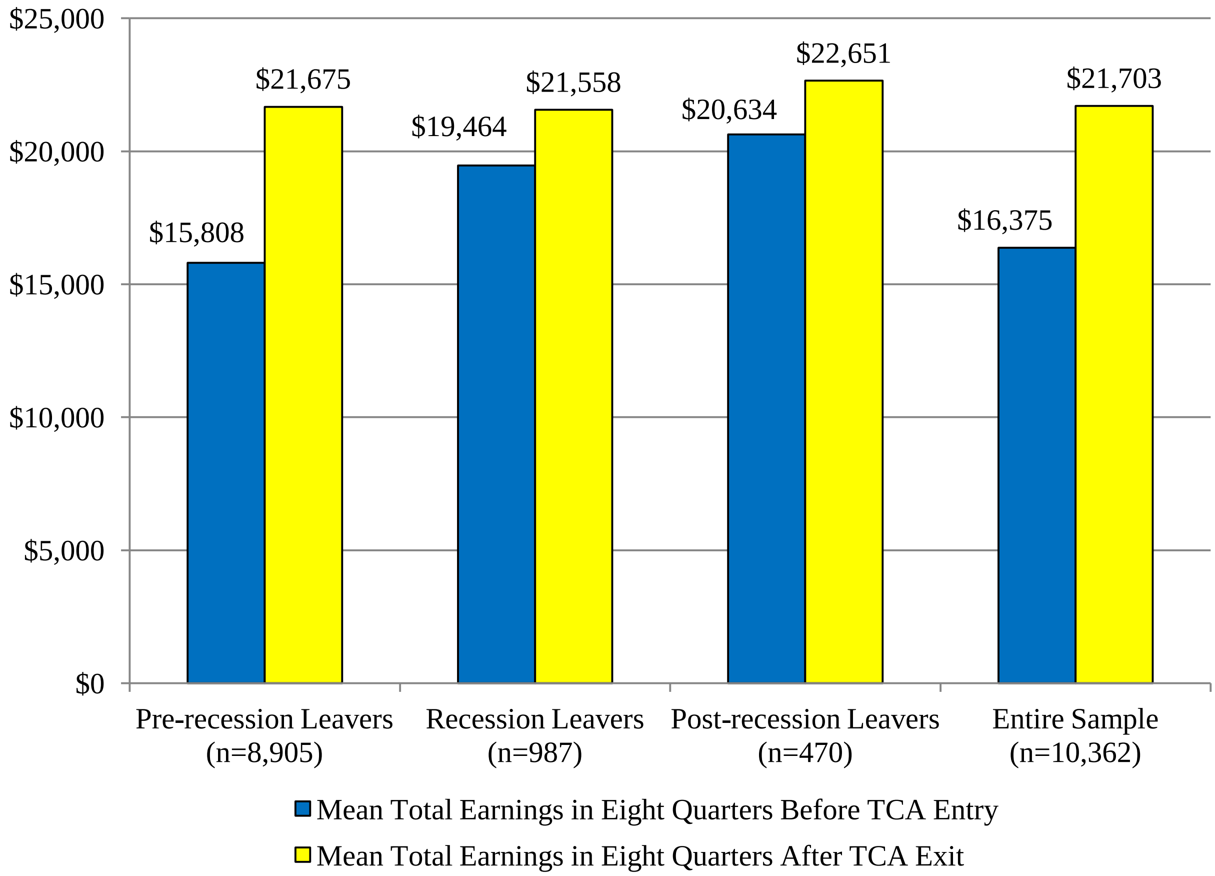
TCA: Temporary Cash Assistance

Note: This figure is derived from data collected by the University of Maryland School of Social Work and presented in *Life After Welfare: Annual Update*, October 2012. It follows a sample of Temporary Cash Assistance (TCA) leavers beginning in October 1996 through March 2011, adding 5% of new TCA leavers every month and excluding any that return to TCA within 30 days. This data includes TCA leavers employed in jobs in Maryland covered by unemployment insurance. Because the data does not include employment in other states, with the federal government, with multi-state employers, and in jobs not covered by unemployment insurance, it underestimates the level of post-TCA employment.

Source: *Life After Welfare: Annual Update*, October 2012, University of Maryland School of Social Work

Employment rates in the eight quarters following exit were significantly lower for those exiting during or after the recession than for pre-recession leavers, which illustrates the weak recovery with respect to employment. Earnings for those exiting TCA are slightly more positive. **Exhibit 3** shows the mean total earnings for individuals in the eight quarters prior to receiving TCA benefits and in the eight quarters following the end of receiving TCA benefits. It graphs the rates for the pre-recession cohorts (those who exited between October 1996 and December 2007) and for the post-recession cohorts (those who exited between July 2009 and March 2012).

Exhibit 3
Total Earnings Prior To and After Leaving TCA



TCA: Temporary Cash Assistance

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Source: *Life After Welfare: Annual Update*, October 2012, University of Maryland School of Social Work

While total mean earnings declined slightly in the eight quarters following exit for those exiting the TCA rolls during the recession, total mean earnings for those exiting after the recession were higher than for the entire sample.

Fiscal 2012 Actions

Proposed Deficiency

A fiscal 2013 deficiency appropriation adjusts the funding split for TCA benefits by decreasing TANF funds by $24.5 million and increasing general fund support by $19.3 million. By this appropriation, the TANF shortfall that has necessitated borrowing against the next year's federal TANF block grant is eliminated.

Proposed Budget

As shown in **Exhibit 4**, the fiscal 2014 allowance for DHR – Family Investment increases by a net $61.4 million over the current year working appropriation. The majority of the increase occurs in benefit program funding with increases for SNAP ($53.9 million) and PAA ($2.8 million) partially offset by a decrease for TCA of $7.1 million.

Personnel expenses increase by $6.6 million. Decreased turnover to allow more benefit determination positions to be filled accounts for $2.4 million of the increase. Retirement contributions increase by $2.2 million attributable to underattaining investment returns, adjusting actuarial assumptions, and increasing the reinvestment of savings achieved in the 2011 pension reform. The final large increase in personnel expenses is the annualization of the general salary increase which adds $1.0 million.

General operations increase by $5.1 million with the majority of the increase occurring in the federal grants for refugees and asylees ($3.1 million). Other large increases comprise contractual services related to the Food Supplement Nutrition Education Program ($660,000), employment verification services ($615,000), the block grant to Montgomery County for the operation of its human services programs ($442,000), and Food Supplement Outreach ($414,000).

Exhibit 4
Proposed Budget
DHR – Family Investment
($ in Thousands)

How Much It Grows:	General Fund	Special Fund	Federal Fund	Total
2013 Working Appropriation	$138,074	$22,300	$1,298,021	$1,458,395
2014 Allowance	135,104	21,427	1,363,462	1,519,993
Amount Change	-$2,970	-$872	$65,441	$61,599
Percent Change	-2.2%	-3.9%	5.0%	4.2%
Contingent Reductions	-$89	-$6	-$152	-$247
Adjusted Change	-$3,059	-$878	$65,288	$61,351
Adjusted Percent Change	-2.2%	-3.9%	5.0%	4.2%

Where It Goes:

Personnel Expenses	
Turnover adjustments	$2,404
Retirement contributions	2,180
Employee and retiree health insurance (net of across-the-board health savings reduction)	1,576
Annualize general salary increase	953
Overtime	85
Reclassifications and accrued leave payout	84
Reset salaries for vacant positions to base	-681
Other fringe benefit adjustments	-2
Benefit Programs	
SNAP average monthly caseload increase from 326,169 to 353,428	86,392
TCA average monthly grant increase from $174.22 to $181.64	5,713
PAA average monthly grant increase from $159.87 to $213.16 to comply with federal regulations	2,312
PAA average monthly caseload increase from 3,347 to 3,616	516
TCA average monthly caseload decrease from 71,243 to 65,127	-12,795
SNAP average monthly grant decrease from $264.05 to $256.39 due to end of federal stimulus premium	-32,487

Where It Goes:	
Operations	
Federal grant for refugees and asylees	3,070
Food Supplement Nutrition Education Program contract	660
Employment verification services	615
Block grant to Montgomery County	442
Food Supplement Outreach Program grants	414
Rent	112
Disabled examinations contract	-236
Other Changes	$24
Total	**$61,351**

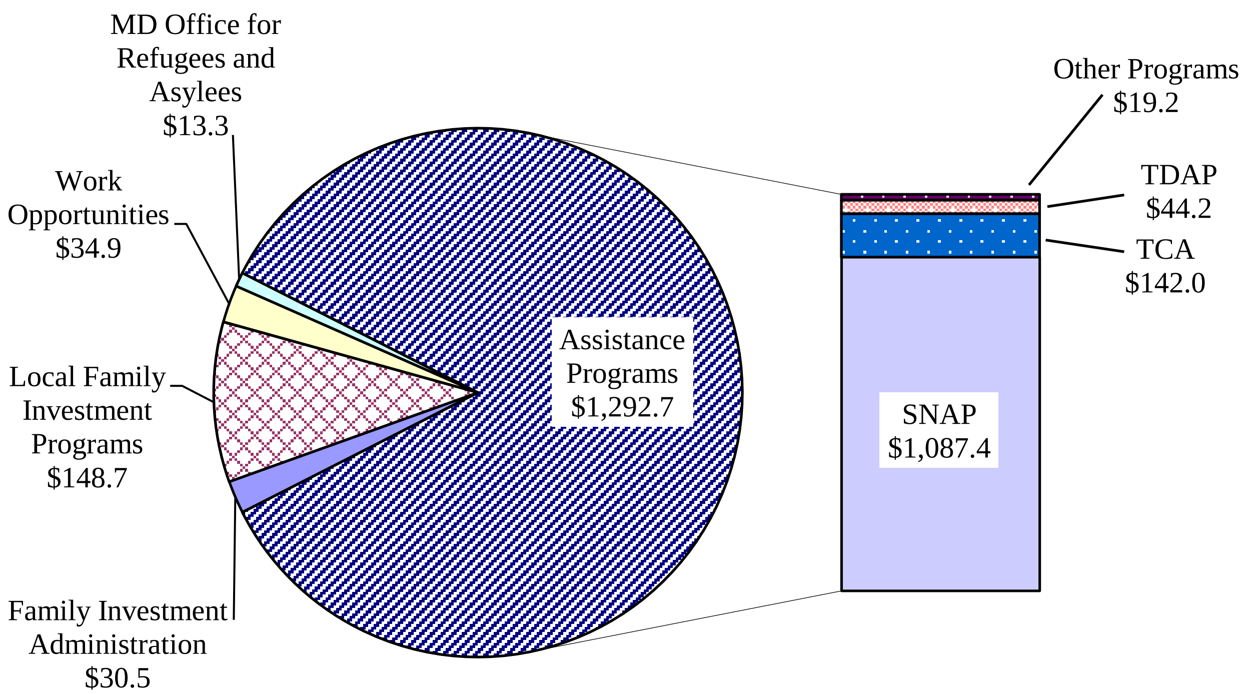
PAA: Public Assistance to Adults
SNAP: Supplemental Nutrition Assistance Program
TCA: Temporary Cash Assistance

Note: Numbers may not sum to total due to rounding.

Benefits and Services to Clients

Exhibit 5 shows the DHR – Family Investment fiscal 2014 allowance by category of spending. Assistance programs make up over 85% of the total.

Exhibit 5
Family Investment
Fiscal 2014 Allowance
($ in Millions)



SNAP: Supplemental Nutrition Assistance Program
TCA: Temporary Cash Assistance
TDAP: Temporary Disability Assistance Program

Note: "Other Programs" comprises General Public Assistance, Burial Assistance, Eviction Assistance, Welfare Avoidance Grants, Emergency Assistance to Families with Children, and Public Assistance to Adults.

Source: Maryland State Budget

- **SNAP:** Funding increases by a net $53.9 million reflecting an estimated increase in the average monthly caseload from 326,169 to 353,428 ($86.4 million), partially offset by a decrease in the average monthly benefit from $264.05 to $256.39 due to the end of the benefit premium provided as part of the federal stimulus effort (-$32.5 million)

- **TCA:** The allowance for TCA decreases by $7.1 million reflecting an expected decrease in the average monthly caseload from 71,243 to 65,127 (-$12.8 million), partially offset by an increase in the average grant amount from $174.22 to $181.64 in order to ensure that the sum of the TCA and SNAP benefits equals at least 61% of the Maryland Minimum Living Level as required by statute.

- **PAA:** The allowance increases by $2.8 million, comprising an expected caseload increase ($516,000) combined with an increase in the grant amount to comply with federal regulations ($2.3 million).

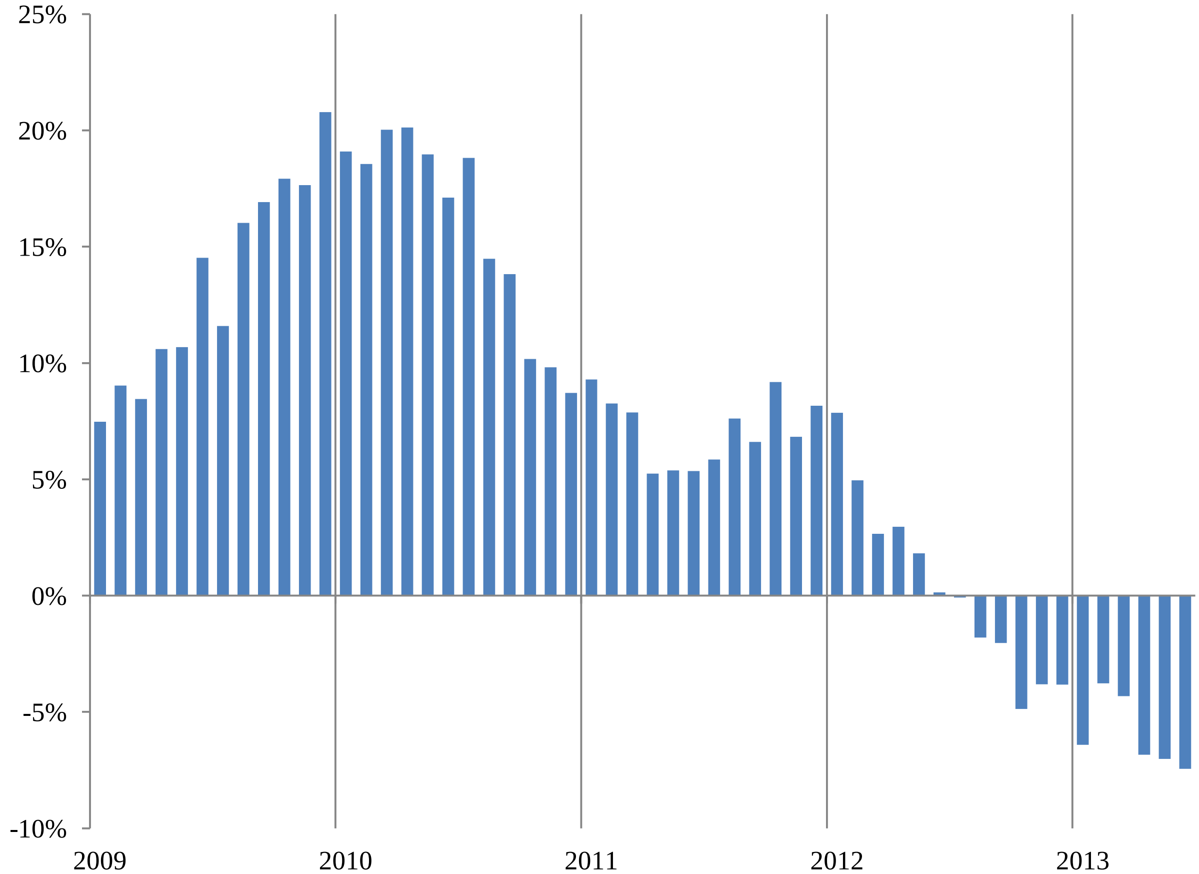
- **TDAP, Emergency Assistance, Emergency Assistance to Families with Children, General Public Assistance, and Welfare Avoidance Grants:** These programs are level funded in fiscal 2014.

- **Work Opportunities:** Although not a benefit program, the Work Opportunities Program pays for services to clients such as skills assessment, job readiness, job training, and job search services. The program is funded entirely from federal TANF dollars and increases $75,906 in personnel related expenses.

TCA Caseload and Expenditure Trends

Exhibit 6 shows the year-over-year percent change in the TCA monthly caseload from July 2008 through December 2012. Fiscal 2012 appears to have been the turning point for the TCA caseload. After increasing on a year-over-year basis every month from July 2008 through December 2011, the caseload has decreased on a year-over-year basis every month since January 2012.

Exhibit 6
TCA Monthly Recipients
Percent Change Over Prior Year
Fiscal 2009-2013

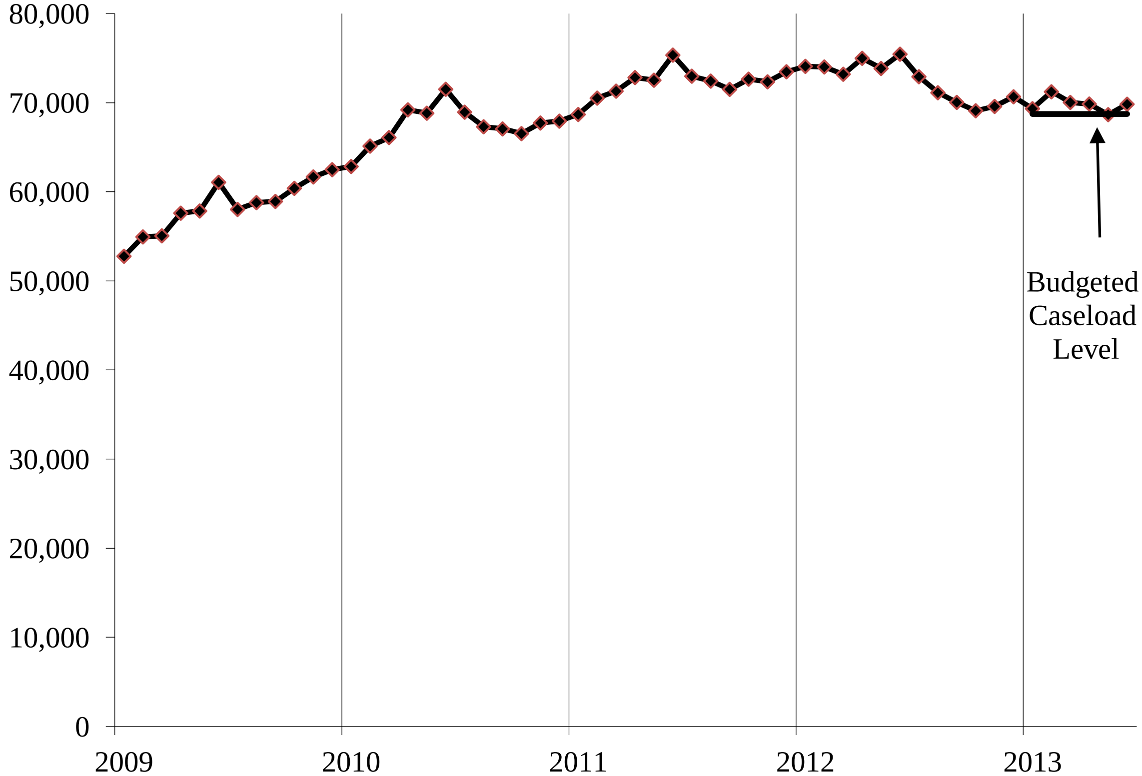


TCA: Temporary Cash Assistance

Source: Department of Human Resources; Department of Legislative Services

Exhibit 7 shows the monthly recipient count from July 2008 through December 2012. After steadily increasing for over three years, the caseload peaked in December 2011 at 75,442 and has trended downward since that time. The rate of decline experienced in the second half of fiscal 2013 has moderated somewhat with month-to-month increases in two of the first six months. Through the first six months of fiscal 2013, the monthly caseload has averaged 69,821, slightly higher than the 68,737 estimate upon which the working appropriation is based.

Exhibit 7
TCA Recipients by Month
Fiscal 2009-2013



TCA: Temporary Cash Assistance

Source: Department of Human Resources; Department of Legislative Services

Looking forward, the Department of Legislative Services (DLS) projects an average monthly recipient count of 69,350 for fiscal 2013. Continued caseload declines in fiscal 2014 will result in an average monthly caseload of 65,184. **Exhibit 8** shows the recipients and funding trends from fiscal 2011 through 2014.

Exhibit 8
TCA Enrollment and Funding Trends
Fiscal 2011-2014

	2011	2012	2013 Est.	2014 Est.
Average Monthly Enrollment	72,211	72,413	69,350	65,184
Average Monthly Grant	$175.09	$174.45	$174.45	$181.64
Budgeted Funds in Millions				
General Funds	$0.2	$25.0	$58.2	$30.0
Total Funds	**$151.1**	**$151.1**	**$143.8**	**$142.0**
DLS Estimate			$145.2	$142.1
Shortfall			-$1.4	-$0.1

DLS: Department of Legislative Services
TCA: Temporary Cash Assistance

Note: The fiscal 2013 budgeted funds reflect the deficiency appropriation which decreased federal funds by $24.5 million and increased general funds by $19.3 million in order to eliminate the TANF balance shortfall. The difference in the fund swap amounts reflect a downward revision in the estimated caseload.

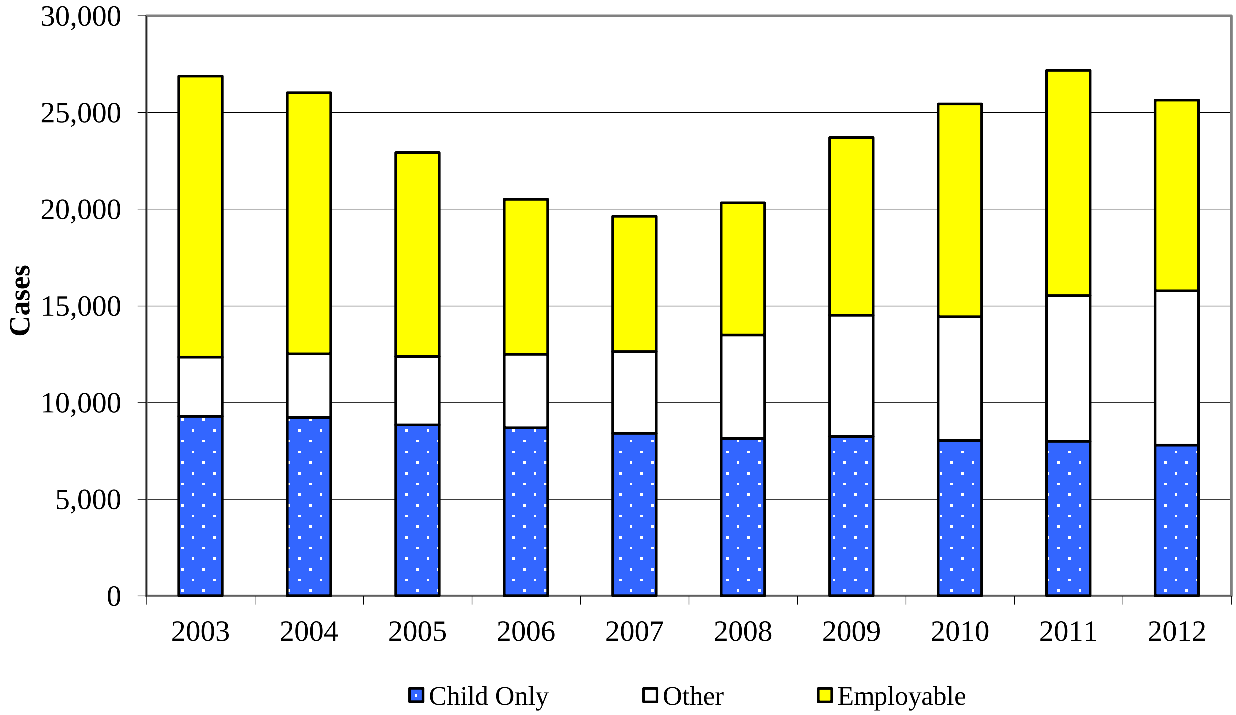
Source: Department of Human Resources; Department of Legislative Services

DLS projects small deficits in TCA funding of $1.4 million for fiscal 2013 and just $100,000 for fiscal 2014. Both amounts should be within the DHR's ability to manage during the year-end closeout.

Characteristics of the Current Caseload

To track recipients needing employment services, DHR divides the caseload into two main groups: (1) the "core" caseload; and (2) cases headed by an employable adult. The core cases include child only cases, women with children under age one, disabled cases, caretaker relatives, and other cases exempted from work requirements. With the exception of women with children under age one, DHR does not expect the core cases to transition off cash assistance by seeking employment. Child only cases, for example, typically leave the rolls after reaching adulthood. As employable adults successfully entered the labor market, the core cases represented an increasing percentage of the total TCA caseload. As shown in **Exhibit 9**, the total caseload fell in 2012 after four years of increases. Most of the decrease occurred in the employable category (-1,770), with a small decline in the number of child only cases (-197). "Other" cases increased by a net 437 cases due to an increase in disabled cases (597). In July 2012, child only cases comprised 30.4% of the total caseload, up slightly from 29.4% a year prior. Cases headed by an employable adult decreased as a percent of total caseload between 2011 and 2012 from 42.9% of the caseload in July 2011 to 38.5% a year later.

Exhibit 9
Characteristics of the Current Caseload
July Caseloads
2003-2012



Source: Department of Human Resources

In the early years of welfare reform, DHR concentrated on serving those easiest to place in employment. Through its successful efforts, most of those cases transitioned from welfare to work. Except for recent additions to the caseload due to the poor economy, which include well-educated individuals with lengthy employment experience, remaining cases headed by an employable adult typically face multiple barriers to employment, such as substance abuse and/or mental health issues, poor work histories, low educational attainment, and limited access to transportation and child care. To realize further caseload reductions, DHR must continue to provide intensive services to help these employable adults enter and remain in the labor force.

Five-year Lifetime Limit on Receipt of Cash Assistance

Moving employable adults to self-sufficiency is of particular importance in light of the federal limit placed on receipt of cash assistance. Federal law prohibits cases headed by an adult from receiving TANF-funded cash benefits for more than five cumulative years. However, federal law also provides exemptions to the time limit for "hardship" as defined by the State. Under this provision, 20% of the caseload receiving TANF-funded cash assistance from the previous federal fiscal year may continue to receive these benefits beyond five years.

December 2012 was the one-hundred-thirty-second month in which some families had reached the five-year benefit limit. The annual average number of families receiving TANF assistance during federal fiscal 2012 was 24,118. The annual average number of cases headed by adults that received assistance for more than 60 months during federal fiscal 2012 was 1,736. Since this number is below the 20% exemption limit for federal fiscal 2012 of 4,823, no one was removed from the caseload. According to DHR's projections, the earliest that any recipient would lose benefits because of the time limit is federal fiscal 2016. Until that time, the department expects to accommodate, under federal hardship exemptions, all families who cooperate with program requirements.

Issues

1. Maryland Incurs Small Penalty for High Fiscal 2011 SNAP Error Rate – DHR Anticipates Bonus for Most Improved Status for Fiscal 2012

Every year in June, the U.S. Department of Agriculture (USDA) releases the state SNAP payment error rates for the preceding federal fiscal year. The payment error rate is based on a sampling of cases and measures the overpayment and underpayment error rates for each state. When a state exceeds 105% of the national average payment error rate for two consecutive years, a penalty based on the value of all SNAP benefit allotments made by the state is assessed. Half of each penalty is put in an "at-risk" account and must be paid to the federal government if a penalized state is subject to penalty in the subsequent year. The other half of the penalty must be used to implement administrative changes designed to reduce the error rate. Reductions to penalty amounts can be negotiated based on extenuating circumstances.

Maryland's error rate was more than 105% of the national average for federal fiscal 2008 through 2011. Consequently, it has been assessed a penalty for three years running. **Exhibit 10** lists the combined error rates for Maryland and the nation, and the final penalty amounts (as negotiated when applicable) incurred.

Exhibit 10
SNAP Combined Error Rates and Penalties Assessed
Federal Fiscal 2008-2011

Federal Fiscal Year	Maryland Combined Error Rate	National Average Combined Error Rate	Penalty Amount
2008	6.94%	5.05%	n/a
2009	7.11%	4.36%	$423,563
2010	7.68%	3.81%	948,525
2011	6.06%	3.8%	62,111

SNAP: Supplemental Nutrition Assistance Program

Source: U.S. Department of Agriculture; Department of Human Resources

One of the changes DHR has implemented to improve its SNAP error rate is the utilization of an electronic employment verification system which allows the Family Investment caseworker to immediately verify the employment status and related income of an applicant. Previously, employment verification was a manual process which could take weeks to perform.

DHR indicates that it has been notified that its federal fiscal 2012 error rate was 3.2%, making Maryland the most improved state and eligible for a bonus of between $1.0 million and $1.5 million. **DHR should brief the committees on the steps it has taken to ensure that it stays out of penalty status in the future.**

2. DHR Faces Lawsuit on Timely Determination of Disability-related Medicaid Applications

In January 2013, a lawsuit was filed in the Circuit Court for Baltimore City seeking relief for the plaintiff and relief on behalf of the class of all Maryland residents who have applied for disability-related Medicaid, also known as Medical Assistance for the aged, blind, and disabled (MA-ABD) since January 16, 2010. The plaintiff alleges that the State has a pattern and practice of wrongfully requiring applicants to apply for certain Social Security benefits as a condition of MA-ABD eligibility, and of failing to provide decisions for MA-ABD within the timeframe required by law, which the plaintiff claims to be 60 days from the date of application.

DHR has stated that it must always review its work processes for ways to improve its ability to determine eligibility for all benefit programs but disagrees with the assertions made in the lawsuit. DHR contends that contrary to the plaintiff's claim, federal and State law require MA-ABD applicants to first apply for income benefits through the Social Security Administration (SSA) and prevent the State from making a disability determination during the 90-day period after the date of the MA-ABD application when there is a pending SSA application. Therefore, the 60-day period cited by the plaintiff is applicable only when an individual is ineligible for SSA benefits.

DHR should update the committees on the status of this litigation.

3. Current Data Collection Methods Do Not Allow for a Comprehensive Analysis of Substance Abuse Treatment Outcomes for the TCA Population

Substance abuse (SA) issues are a major impediment to becoming and staying employed for many TCA clients. To help address SA issues, all TCA applicants are screened by SA counselors stationed in each of the local departments of social services offices and, when appropriate, referred to SA treatment which ranges from counseling sessions to hospitalization.

A memorandum of agreement between the Department of Health and Mental Hygiene's Alcohol and Drug Abuse Administration (ADAA) and DHR outlines the roles and responsibilities of each agency. ADAA is responsible for the clinical supervision of SA counselors; DHR reimburses ADAA for the costs of providing the counselors.

As part of its core mission, ADAA tracks SA treatment outcomes for all patients enrolled in SA programs that receive any public funding regardless of the source of payment for individual patients. It reports on these outcomes in an annual publication entitled *Outlook and Outcomes*.

ADAA uses an information system called the Statewide Maryland Automated Record Tracking (SMART) system to produce the outcomes report. Because data is entered based on the source of referral, SMART does not have the ability to identify all TCA customers who receive SA treatment. It only identifies those TCA customers who entered treatment based on a referral by the SA counselors as a result of applying for TCA. Individuals who are already receiving SA treatment at the time of applying for TCA are coded in SMART in other categories. The inability to identify SA treatment outcomes for all TCA clients denies DHR the ability to comprehensively evaluate the adequacy and effectiveness of SA treatment services as it attempts to remove SA barriers to employment for its clients. **Budget bill language is included in the Recommended Actions Section of this analysis requiring DHR and ADAA to evaluate the changes that would need to be made in data collection methodologies in order to be able to report on SA outcomes for the entire TCA population.**

Recommended Actions

1. Add the following section:

   <u>Section XX. AND BE IT FURTHER ENACTED, That $100,000 of the General Fund appropriation for the Department of Human Resources (DHR) and $100,000 of the General Fund appropriation for the Alcohol and Drug Abuse Administration (ADAA) may not be expended unless, by October 1, 2013, DHR and ADAA jointly submit a report to the budget committees detailing the changes that would need to be made to data collection methodologies to allow outcomes of substance abuse treatment to be reported for all Temporary Cash Assistance clients receiving treatment, regardless of how the client was referred for substance abuse treatment. The report should include cost estimates and a timeline for making the necessary changes. The budget committees shall have 45 days to review and comment following receipt of the report. Funds restricted pending the receipt of the report may not be transferred by budget amendment or otherwise to any other purpose and shall revert to the General Fund if the report is not submitted to the budget committees.</u>

   Explanation: Currently, data collection methods identify substance abuse (SA) treatment patients by source of referral. This system does not allow the entire Temporary Cash Assistance (TCA) population receiving SA treatment to be identified which hampers an evaluation of the adequacy and effectiveness of SA treatment for this population. This language requires DHR and ADAA to evaluate the changes in data collection that would be necessary to allow SA treatment reporting on the entire TCA population, including cost estimates and a timeline for making the changes.

Information Request	**Authors**	**Due Date**
Report on the changes to data collection methods to allow SA treatment outcomes to be reported for the entire TCA population regardless of the source of referral to treatment.	DHR ADAA	October 1, 2013

Updates

1. After Two Years of Meeting or Exceeding Federal Performance Standards for Timely Benefit Determinations, Court Order Lifted

After a 3-day trial in December 2009 in a lawsuit filed by two Baltimore County plaintiffs who claimed DHR was violating federal and State law by failing to process applications and determine eligibility within the required 30-day timeframe for Food Stamps, TCA, and certain Medicaid benefits, the Circuit Court for Baltimore City ordered DHR to achieve full compliance – defined as compliance in at least 96.0% of cases – within a year.

After months of sustained efforts to eliminate benefit application backlogs, improve business practices, and address staffing issues through the expedited filling of vacant positions, DHR achieved compliance in November 2010 and has maintained compliance in every month since that time. In December 2010, the Attorney General, on DHR's behalf, filed a motion to dissolve the injunction. In June 2012 the court lifted its order.

2. DHR Reports on Efforts to Secure Federal Funding for a Couples Advancing Together Pilot Program

Legislation introduced during the 2012 session (HB 958) would have required DHR – Family Investment to establish a "Couples Advancing Together" (CAP) pilot program in at least three counties. The purpose of the program is to assist couples that qualify for the family investment program to move toward stable relationships and family friendly employment for one or both partners in order to improve their economic circumstances, provide support for lasting family units, and thereby lessen their reliance on public benefits. DHR indicated that it would support the pilot programs if dedicated federal funding could be secured. It agreed to attempt to secure federal funds, and the budget committees adopted committee narrative asking DHR to report by November 1, 2012, on its efforts to secure funding.

DHR submitted the requested report in November 2012. In its report, DHR indicates that no specific federal grants for CAP were secured. The DHR response links CAP with Responsible Fatherhood programs, and notes that while federal funding for these programs ended in 2011, DHR is providing $1.1 million in fiscal 2013 to continue these programs in Baltimore City and six jurisdictions across the State. In addition, DHR notes that it has created an outreach coordinator position with the Child Support Enforcement Administration that is responsible for developing relationships and partnerships with area businesses and educational institutions to provide training and employment to noncustodial fathers, and with community partners to promote services that will assist with job readiness, placement, and retention. The outreach coordinator is also tasked with identifying funding opportunities to create and sustain CAP pilot programs.

Legislation (HB 333) has been introduced in the 2013 session that would require DHR to implement CAP pilot programs in at least three jurisdictions.

Appendix 1

Current and Prior Year Budgets

Current and Prior Year Budgets
DHR – Family Investment
($ in Thousands)

	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
Fiscal 2012					
Legislative Appropriation	$106,237	$19,050	$1,476,174	$0	$1,601,462
Deficiency Appropriation	37,877	0	-29,765	0	8,112
Budget Amendments	-7,296	10,489	4,858	0	8,051
Reversions and Cancellations	0	0	-102,106	0	-102,106
Actual Expenditures	**$136,818**	**$29,539**	**$1,349,162**	**$0**	**$1,515,518**
Fiscal 2013					
Legislative Appropriation	$138,074	$22,090	$1,297,439	$0	$1,457,602
Budget Amendments	0	210	583	0	792
Working Appropriation	**$138,074**	**$22,300**	**$1,298,021**	**$0**	**$1,458,395**

Note: Numbers may not sum to total due to rounding.

Fiscal 2012

The fiscal 2012 budget for DHR – Family Investment closed out $85.9 million lower than the legislative appropriation. Deficiency appropriations and budget amendments added a net $16.2 million to the budget. These increases were more than offset by year-end federal fund cancellations of $102.1 million.

Two deficiency appropriations withdrew $29.8 million in TANF funds, replaced $25.8 million of the withdrawn funds with general funds, and added an additional $12.1 million in general funds to cover increases in the TCA caseload. TANF funds of $4.0 million were also withdrawn from the Work Opportunities Program with no general fund replacement. This aligned funding in Work Opportunities with actual expenditure experience.

Budget amendments were used to add funds for the one-time $750 State employee bonuses, add additional special and federal funds, and transfer funds among programs within DHR as part of the year-end close. A total of $1,506,499 was added for the employee bonuses ($711,005 general, $31,149 special, and $764,295 federal.) Year-end closing amendments transferred general funds of $8,007,449 to other, non-Family Investment, programs in DHR, added $10.5 million in additional special funds, and added $4.1 million in additional federal funds.

A total of $17.9 million in general funds originally budgeted for TCA payments were transferred between programs with $8.6 million transferred to the Local Family Investment Program, $1.3 million transferred to the FIA, and the $8.0 million noted above transferred to non-Family Investment units of DHR. This funding was available due to the decline in the TCA caseload experienced through the second half of the fiscal year.

The additional $10.5 million in special funds added by budget amendment derived from three sources: additional special fund recoveries from TDAP recipients who qualified for federal SSI payments ($5.7 million), increased local government payments ($2.7 million), and increased Child Support Offset payments from clients receiving TCA ($2.1 million).

The additional $4.1 million in federal funds reflected increased spending for Refugee Assistance ($2.6 million), TANF spending for local Family Investment and headquarters ($1.1 million), and additional spending for Food Stamp Outreach ($361,259.) The additional TANF spending authority resulted in an equal cancellation of TANF spending in other areas.

The year-end cancellation of $102.1 million reflects unspent federal funds in the SNAP program due to less than anticipated caseload ($85.7 million) and lower than expected attainment of Medical Assistance funding and cancellation of overbudgeted TANF funds mentioned above ($16.4 million.)

Due primarily to the underattainment of Medical Assistance funding, DHR also deferred payment of $7.3 million in accrued general fund expenditures in the DHR – Family Investment budget. Payment of these expenses with fiscal 2013 funds merely transfers the shortfall into the new fiscal year.

Fiscal 2013

The fiscal 2013 working appropriation for DHR – Family Investment is $792,351 higher than the legislative appropriation and represents funds added by budget amendment ($209,557 special and $582,794 federal) for the general salary increase.

Object/Fund Difference Report
DHR – Family Investment

Object/Fund	FY 12 Actual	FY 13 Working Appropriation	FY 14 Allowance	FY 13 - FY 14 Amount Change	Percent Change
Positions					
01 Regular	2,039.42	2,037.42	2,037.42	0.00	0%
02 Contractual	53.44	68.00	68.00	0.00	0%
Total Positions	**2,092.86**	**2,105.42**	**2,105.42**	**0.00**	**0%**
Objects					
01 Salaries and Wages	$122,030,725	$118,708,005	$125,554,553	$6,846,548	5.8%
02 Technical and Spec. Fees	2,614,980	2,329,280	2,340,027	10,747	0.5%
03 Communication	1,338,947	1,451,058	1,179,099	-271,959	-18.7%
04 Travel	241,708	138,929	139,848	919	0.7%
06 Fuel and Utilities	1,512,373	1,442,899	1,426,736	-16,163	-1.1%
07 Motor Vehicles	82,735	18,255	17,975	-280	-1.5%
08 Contractual Services	59,510,656	55,510,320	56,582,362	1,072,042	1.9%
09 Supplies and Materials	999,608	632,574	642,146	9,572	1.5%
10 Equipment – Replacement	54,512	0	0	0	0.0%
11 Equipment – Additional	35,631	0	0	0	0.0%
12 Grants, Subsidies, and Contributions	1,312,563,917	1,264,132,636	1,317,968,298	53,835,662	4.3%
13 Fixed Charges	14,532,414	14,030,797	14,142,296	111,499	0.8%
Total Objects	**$1,515,518,206**	**$1,458,394,753**	**$1,519,993,340**	**$61,598,587**	**4.2%**
Funds					
01 General Fund	$136,817,597	$138,073,822	$135,104,142	-$2,969,680	-2.2%
03 Special Fund	29,538,925	22,299,576	21,427,271	-872,305	-3.9%
05 Federal Fund	1,349,161,684	1,298,021,355	1,363,461,927	65,440,572	5.0%
Total Funds	**$1,515,518,206**	**$1,458,394,753**	**$1,519,993,340**	**$61,598,587**	**4.2%**

Note: The fiscal 2013 appropriation does not include deficiencies. The fiscal 2014 allowance does not include contingent reductions.

Fiscal Summary
DHR – Family Investment

Program/Unit	FY 12 Actual	FY 13 Wrk Approp	FY 14 Allowance	Change	FY 13 - FY 14 % Change
02 Local Family Investment Program	$137,441,669	$142,453,867	$148,690,822	$6,236,955	4.4%
08 Assistance Payments	1,301,486,683	1,243,023,926	1,292,685,929	49,662,003	4.0%
10 Work Opportunities	35,491,150	34,781,138	34,857,044	75,906	0.2%
04 Director's Office	28,289,458	27,956,336	30,466,623	2,510,287	9.0%
05 Maryland Office for New Americans	12,809,246	10,179,486	13,292,922	3,113,436	30.6%
Total Expenditures	**$1,515,518,206**	**$1,458,394,753**	**$1,519,993,340**	**$61,598,587**	**4.2%**
General Fund	$ 36,817,597	$138,073,822	$135,104,142	-$2,969,680	-2.2%
Special Fund	29,538,925	22,299,576	21,427,271	-872,305	-3.9%
Federal Fund	1,349,161,684	1,298,021,355	1,363,461,927	65,440,572	5.0%
Total Appropriations	**$1,515,518,206**	**$1,458,394,753**	**$1,519,993,340**	**$61,598,587**	**4.2%**

Note: The fiscal 2013 appropriation does not include deficiencies. The fiscal 2014 allowance does not include contingent reductions.

Appendix 3